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Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00 XMB-02

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C O N F I D E N T I A L TOKYO 1232

E. O. 11652: GDS
TAGS: EAID, JA, KS
SUBJ: JAPANESE AID TO KOREA

REFS: A. SEOUL 0027, B. 75 TOKYO 18240

SUMMARY: WORKING LEVEL AID TALKS IN TOKYO RESULTED IN JAPANESE PROMISES OF 23.5 BILLION YEN IN NEW ODA TO KOREA. IN ADDITION, JAPANESE EXPRESSED AGREEMENT IN PRINCIPLE TO PROVIDE EXIM/CITY BANK FINANCING TO POHAN STEEL MILL AND YOSU PETROCHEMICAL PROJECTS. END SUMMARY.

1. EMBOFF REVIEWED LATEST WORKING LEVEL JAPAN-KOREA AID TALKS WITH NAKAMURA, DEPUTY DIR., FONOFF, FIRST ECONOMIC COOPERATION DIV. (NAKAMURA HAS SUCCEEDED SEZAKI, WHO MOVED TO POSITION OF DIRECTOR OF SECOND ECONOMIC COOPERATION DIV.) NAKAMURA PROVIDED THE FOLLOWING INFORMATION:

2. TALKS WERE HELD IN TOKYO JAN. 21-23 UNDER LEADERSHIP OF MESSRS LEE OF ROK ECONOMIC PLANNING BOARD AND KIKUCHI OF JAPAN FONOFF ECONOMIC COOPERATION BUREAU. TALKS RESULTED IN GOJ PROMISE OF TOTAL OF 23.5 BILLION YEN (77.05 MILLION DOLLARS AT 305 YEN/DOLLAR) IN NEW OFFICIAL DEVELOPMENT ASSISTANCE, TO BE PROVIDED BY JAPAN'S OVERSEAS ECONOMIC COOPERATION FUND. USES,
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TERMS, AND CONDITIONS ARE FOLLOWS: A) AGRICULTURAL

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DEVELOPMENT, 12.6 BILLION YEN (41.3 MILLION DOLLARS),
5.75 PERCENT INTEREST, REPAYMENT OVER 15 YEARS INCLUDING
5 YEARS' GRACE; B) SHINPOK RAILWAY DOUBLE TRACKING,
4.3 BILLION YEN (14.1 MILLION DOLLARS), 3.5 PERCENT
INTEREST, REPAYMENT OVER 20 YEARS INCLUDING 7
YEARS GRACE; AND, C) TELECOMMUNICATIONS FACILITIES
EXPANSION, 6.6 BILLION YEN (21.6 MILLION DOLLARS),
4.25 PERCENT INTEREST, REPAYMENT OVER 20 YEARS INCLDUING
5 YEARS GRACE.

3. IN ADDITION, JAPANESE EXPRESSED TO KOREANS THEIR
QTE AGREEMENT IN PRINCIPLE UNQTE TO PROVIDE JAPANESE
EXIM AND CITY BANK FINANCING TO SUPPORT POHAN STEEL
JILL EXPANSION AND YOSU PETROCHEMICAL PROJECTS, EACH OF
WHICH WILL INVOLVE ABOUT 300 MILLION DOLLARS. JAPANESE
EXPLAINED, HOWEVER, THAT PRESENT JAPANESE FINANCIAL
POSITION PRECLUDES UNDERTAKING BOTH PROJECTS SIMULTANEOUSLY,
SO DISBURSEMENTS ARE ANTICIPATED TO BEGIN IN 1976 FOR
POHAN BUT NOT UNTIL 1978 FOR YOSU.

4. DURING TALKS, JAPANESE EXPLAINED DOMESTIC POLITICAL
AND ECONOMIC CONSIDERATIONS ARGUING FOR DECREASED ODA
TO KOREA AND SAID ODA SHOULD COME TO QTE SOFT LANDING
UNQTE. KOREANS COUNTERED BY ARGUING IMPORTANCE OF GOJ
DEMONSTRATING CONTINUED SUPPORT TO ROK IN FORM OF ODA,
AND SAID ODA SHOULD EXECUTE QTE SOFT TAKOFF UNQTE.
INGENIOUS USE OF DIFFERENT YEN/DOLLAR EXCHANGE RATES
IN COMPUTING DOLLAR EQUIVALENTS OF ODA COMMITTMENTS
IN JFY'S 1974 AND 1975--RESPECTIVELY 290 AND 305 YEN/
DOLLAR--WILL ALLOW GOJ TO CITE DOLLAR FIGURES AND EXPLAIN
IN DIET THAT ODA IS DECREASING (FROM 80.6 MILLION IN
JFY 74 TO 77.05 MILLION IN JFY 75), WHILE DOREANS WILL
BE ABLE TO CITE YEN FIGURES (23.4 BILLION IN JFY 74
AND 23.5 BILLION IN JFY 75) AND SAY THAT AID LEVEL IS
BEING MAINTAINED. SUCH TRICKS ASIDE, GOJ THINKING IS
THAT, ALONG LINES OF STATEMENT IN COMMUNIQUE OF 7TH
JAPAN-KOREA MINISTERIAL MEETING, MAIN THRUST OF JAPANESE
ASSISTANCE TO KOREA SHOULD SHIFT MORE AND MORE TO QTE
PRIVATE BASIS UNQTE.
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